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Financial Analysis of a Group of Petroleum Companies

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Companies Included in Study

Amerada Hess Corporation
Ashland Oil, Inc.
Atlantic Richfield Company
The British Petroleum Company p.l.c.
Champlin Petroleum Company
Compagnie Francaise des Petroles
Exxon Corporation
Getty Oil Company
Gulf Oil Corporation
The Louisiana Land and Exploration Company
Mobil Oil Corporation
Murphy Oil Corporation
Petrofina Societe Anonyme
Phillips Petroleum Company
Royal Dutch/Shell Group of Companies
Chevron Corporation
Standard Oil Company (Indiana)
Sun Company, Inc.
The Superior Oil Company
Texaco Inc.
Tosco Corporation
Unocal Corporation

This study is based on data secured from annual reports to stockholders and to the Securities and Exchange Commission and on information developed from other sources. Energy Economics of The Chase Manhattan Bank wishes to thank the companies and individuals who have cooperated in supplying special information and material used in this survey.

Additional copies may be obtained from:
Energy Economics
The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza, New York, N.Y. 10081

Foreword

For many years The Chase Manhattan Bank has conducted a detailed study of the financial performance of the larger non-OPEC petroleum companies. Because the aggregate operations of these companies constitute a significant proportion of the worldwide activities of the petroleum industry, an analysis of their combined financial performance provides an important part of the analysis of the entire worldwide industry.

The companies included in this study are the 22 organizations listed on the adjoining page. Throughout the report they are referred to collectively as the "Group." Over the years the number of companies comprising the Group has changed as a result of additions and mergers. Data for earlier years have been adjusted to reflect major changes and thereby permit valid comparisons of current developments with those of the past.

The study is based on data secured from annual reports to stockholders and to the U.S. Securities and Exchange Commission, as well as on information developed from other sources. The use of these multiple data sources permits us to present, in a consistent time series format, certain information that is not easily obtainable from any one source.

Some of the unique aspects of the report include:

- Operating data that cover, for each of the companies included, the complete operations of the parent company and all consolidated subsidiaries, plus a portion of the foreign operations of non-consolidated affiliates, with the portion based on the percentage of stock ownership.
- Reported net income that has been adjusted for extraordinary items in order to better reflect earnings from normal activities.
- Net income and rates of return, shown separately for the U.S. and the rest of the world.
- Estimates of all net assets, shown separately for the U.S. and the rest of the world.
- Investment in fixed assets, shown according to both function and regional location of the assets.

As a service to the petroleum industry, and all others with a related interest, the Bank has published annually since 1945 the summarized results of this study.

This year I would like to express my deep appreciation for the work of Norma Anderson in putting out this publication. We are now in the process of publishing this publication on a more timely schedule, and only through the devoted work of Norma was it possible to publish this edition in 1984.

David J. Behling, Jr.

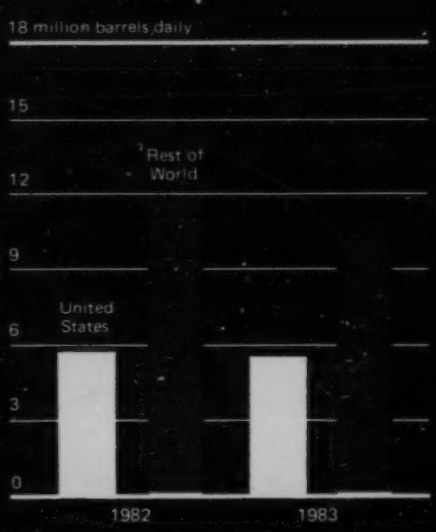
Source of Crude Oil

The subdued level of economic activity in many areas of the world outside Centrally Planned Economies (CPEs) in 1983 continued to dampen the demand for crude oil and refined petroleum products. Also, despite a rollback in the price of Saudi marker crude by OPEC in March, the prices of oil products remained far above levels of four years earlier. In addition, many oil-importing countries did not actually benefit from the lowered 1983 crude oil price in U.S. dollar terms because of unfavorable turns in the exchange rate between their currency and the dollar. The net result of these factors was a three percent decline in the consumption of oil products in the world outside of CPEs.

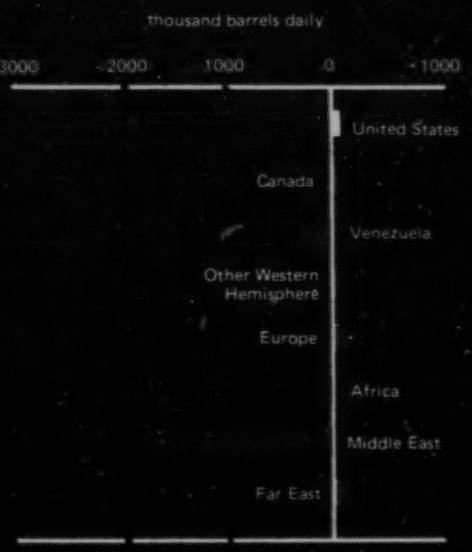
The quantity of crude oil provided to the Group from the companies' own production and from the non-equity volumes acquired from government-owned oil companies decreased an even greater nine percent, or 1.6 million barrels per day to a level of 15.6 million barrels per day. The large decline was due in part to the reduction in world consumption of crude oil. However, the greater part of the decline was due to less contract crude being supplied to the Group by government-owned oil companies. In 1983, the Group's crude oil supply equaled 41 percent of total production in the world excluding CPEs, compared to 45 percent in 1982.

The Group's total annual volume of crude oil supply has declined in each of the last seven years. Again, last year, the most significant reduction took place in the Middle East. This area provided the Group with 3.6 million barrels per day in 1983, 1.9 million barrels per day lower than the year before. The sharp drop was a result both of lower amounts of Middle East production within OPEC countries and declines in the share of such production provided to the Group. Further reductions occurred elsewhere. In Venezuela, the quantity dropped by 89 thousand barrels per day to 425 thousand daily. The output from Africa dropped moderately to 1.1 million barrels per day, a decrease of 55 thousand barrels daily. The only other decrease was a fractional decline in the United States of less than one percent, or 42 thousand barrels

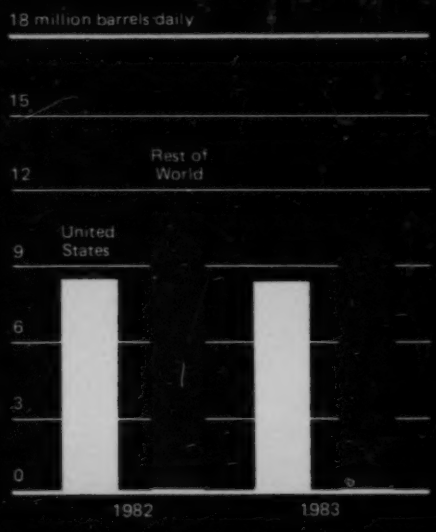
SOURCE OF CRUDE OIL . . .



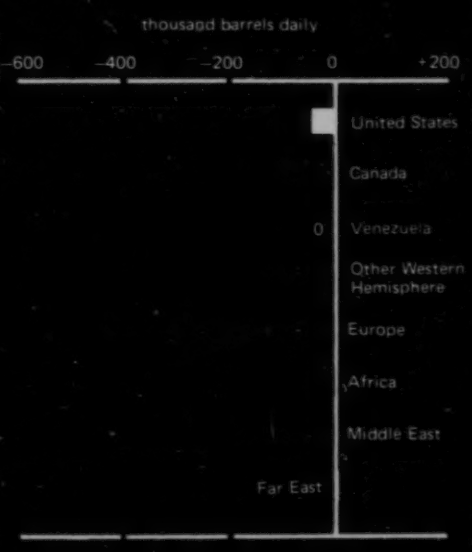
CHANGE FROM 1982



REFINERY CRUDE RUNS . . .



CHANGE FROM 1982



per day, to a daily average of 5.5 million barrels. At that level, the United States remained the largest single source of oil for the Group, accounting for 35 percent of the total.

All other areas provided the Group with more crude oil in 1983 than the previous year. As substantially more reserves were added in the North Sea, the supply from Europe showed the largest increase of any single sector, 239 thousand barrels per day, to 2.2 million daily. The next largest increase—178 thousand barrels a day—came from the Far East, boosting the volume of crude oil from there to nearly 1.4 million barrels on an average daily basis. The other areas, Canada and Other Western Hemisphere, provided respectively, 30 thousand and 20 thousand barrels a day more, raising their levels to 829 thousand and 550 thousand barrels per day.

Refinery Crude Runs

Declines in world oil consumption also led to decreases in refinery runs. The Group's refinery crude runs in 1983 dropped four percent, to 18.6 million barrels per day. As a share of all the crude oil refined in the world outside CPEs, the Group's volume represented nearly 45 percent, as opposed to about 46 percent in 1982. The volume of crude oil processed by the Group declined in all areas except the Far East.

Prior to 1983, refinery output by the Group had been declining most rapidly in the United States. However, in 1983, Europe accounted for 55 percent of the overall decrease, with European volume declining by 459 thousand barrels per day to slightly over five million daily. The United States absorbed less than five percent of the total falloff. The economic recovery in the United States undoubtedly helped to stem the downward trend of the past few years. In 1983, the U.S. accounted for 45 percent of total refining volume, with Europe next, at 27 percent, while most of the remainder came from the Far East, Canada and Other Western Hemisphere.

Revenue

Total revenue for the Group dropped for the second consecutive year, as average selling prices of crude and of most products declined, in addition to the decrease in volumes just described. The Group's gross operating revenue in 1983 declined by $43 billion to $514.5 billion, or 7.7 percent lower than a year earlier.

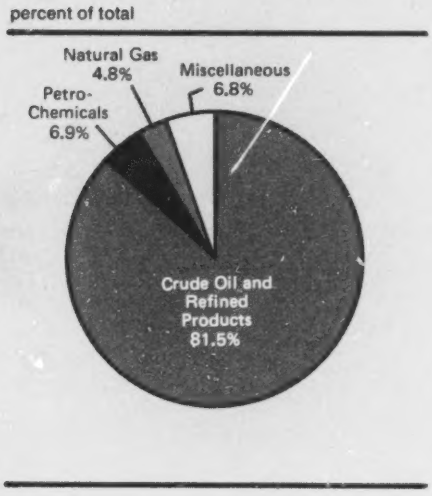
The reduction in operating revenue, however, was confined to the sale of crude oil and refined products, which dropped by $50.9 billion to $419.3 billion. At that level, crude oil and refined products accounted for 81.5 percent of the Group's total operating revenue, down from 84.4 percent the year before. The remaining sales categories all recorded higher revenue totals than in 1982. Chemical products rose the least, by $1.2 billion, to $35.4 billion. Proceeds from the sale of natural gas gained $2 billion, to $24.6 billion, while miscellaneous other business operations rose $4.6 billion to $35 billion.

In addition to the revenue from normal day-to-day business activities, the Group also receives revenue from non-operating sources such as dividends, interest and equity in affiliated companies' earnings. In 1983, these non-operating revenues declined by $1.2 billion to $9.5 billion. Altogether, therefore, from operating and non-operating sources, the Group's total revenue in 1983 registered a decrease of $44.2 billion, down to $524 billion, a drop of 7.8 percent from 1982.

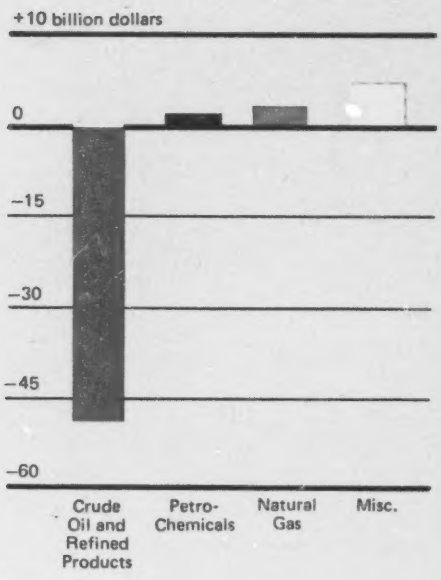
Charges Against Revenue

Along with lower revenues came reductions in some of the costs applied against revenue. Operating costs include, among many other things, the expenses incurred in acquiring crude oil. Reductions in the acquisition cost of crude, together with declines in the amounts of crude purchased, were responsible for a large drop in operating costs. These expenses for the Group declined by $43.2 billion to a level of $402.8 billion.

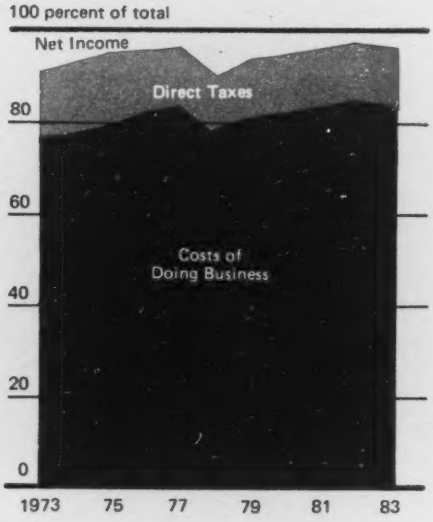
SOURCES OF REVENUE – 1983



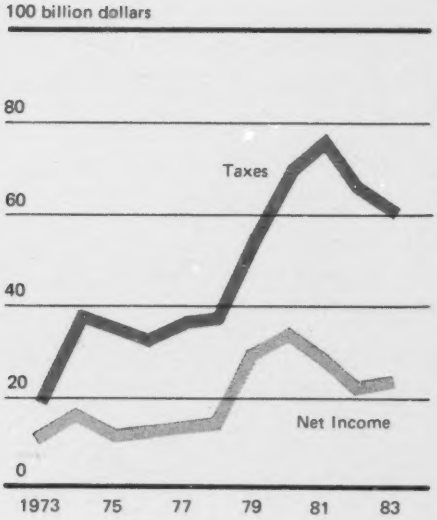
REVENUE CHANGES FROM 1982



COSTS, DIRECT TAXES AND NET INCOME AS PERCENT OF GROSS OPERATING REVENUE



NET INCOME IN RELATION TO TAXES



The Group's total tax charge was reduced by $3.4 billion to $60 billion in 1983, principally because of a lower windfall profits tax in the United States. This decline in the U.S. windfall profits tax, in turn, was due both to lower crude prices and reductions in the share of higher-taxed oil in total oil production. Altogether, all taxes other than income taxes declined $2.6 billion in 1983, to $31.5 billion.

Income taxes also dropped, but by a lesser $0.8 billion. The income taxes reported here are only those directly imposed on the companies. Sales and excise taxes collected by the Group for local and national governments are omitted from our statistics as either revenue or tax items. Declining to $6.2 billion from $6.7 billion a year earlier, interest expense dropped primarily because of lower interest rates during the year. Write-offs providing for the recovery of capital, such as depreciation, depletion and amortization, was the only major expense item that increased. In 1983, write-offs grew by $1.4 billion, to $30.6 billion. This gain, is in part, a consequence of the sizeable growth in the Group's capital expenditures, especially over the past five years. However, a large share of the write-offs came from the closing of downstream facilities, particularly refineries.

Net Income

After declining by a substantial $6.6 billion to $21.3 billion in 1982, the Group's net income in 1983 recovered somewhat by $1.4 billion to $22.7 billion. As a return on total revenue, 1983 net income represented 4.3 percent, compared to a record low of 3.7 percent the year before. The earnings increase was by no means universal. In fact, within the United States, net income decreased by $1.4 billion to $11.4 billion. Outside the U.S., the Group registered a substantial improvement to $11.2 billion, an increase of $2.8 billion, or one-third over 1982.

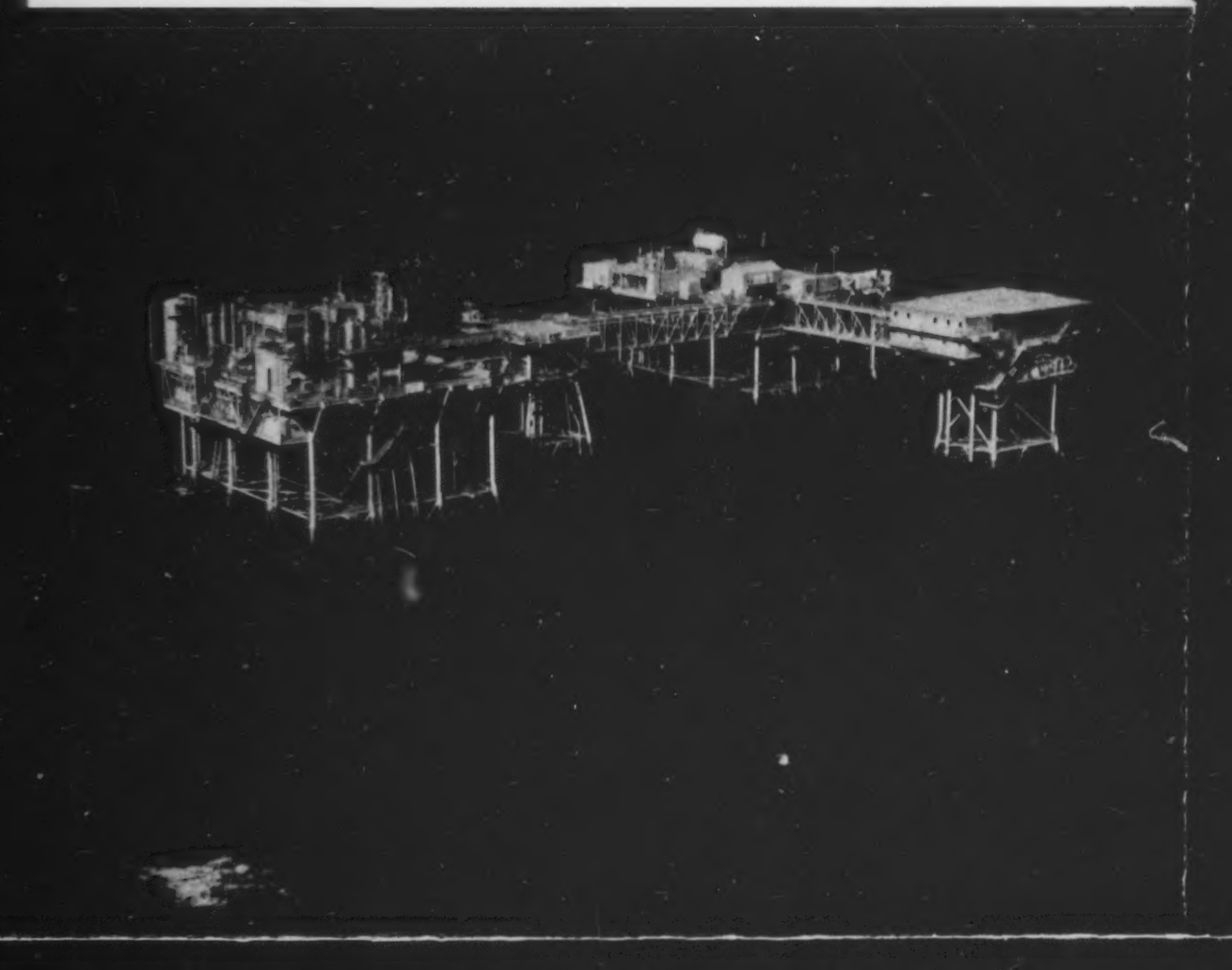
At least two factors were responsible for the decline in U.S. profitability. First, imports of motor gasoline and home heating oil into the U.S. expanded rapidly. This growth of trade in the lighter petroleum products had the effect of raising refinery profitability overseas at the expense of U.S. refining. Second, in 1983 the Group purchased less contract

crude at inflated official prices from OPEC, particularly from Saudi Arabia, than they did in 1982.

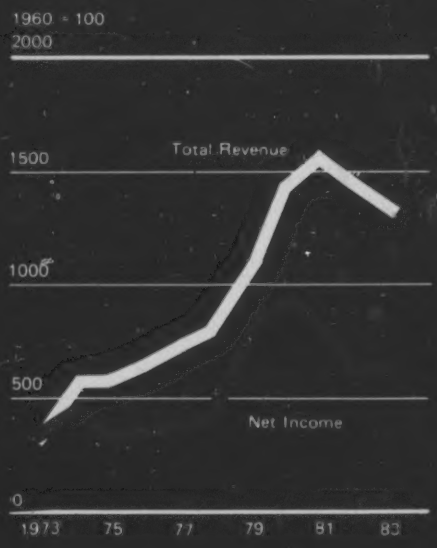
A breakdown of the Group's net income between the United States and the rest of the world for 1983 and 1982 is shown in this table.

Net Income

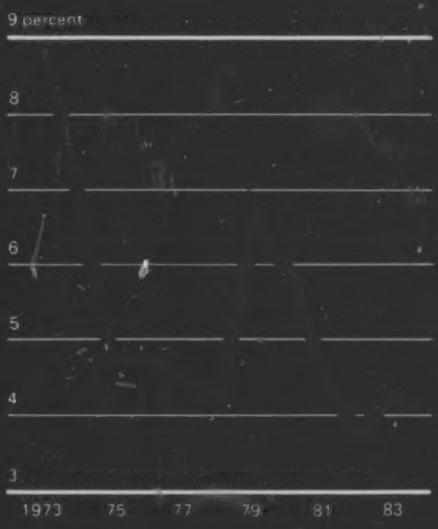
	1983	1982	Change	
	Million $		Million $	Percent
United States	11,421	12,831	-1,410	-11.0
Rest of World	11,247	8,431	+2,816	+33.4
Total	22,668	21,262	+1,406	+ 6.6



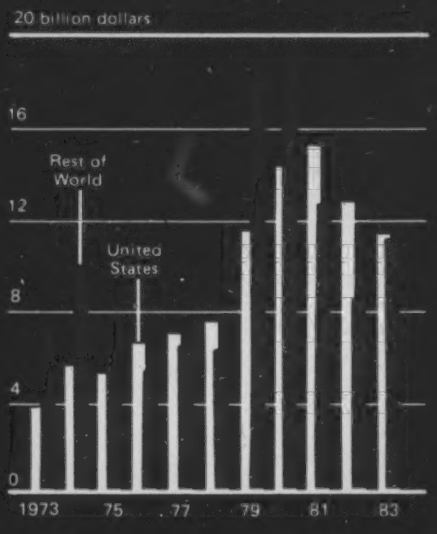
NET INCOME RELATED TO TOTAL REVENUE



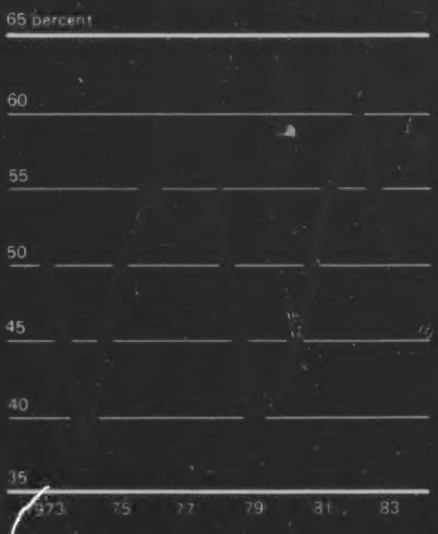
NET INCOME AS A PERCENT OF TOTAL REVENUE



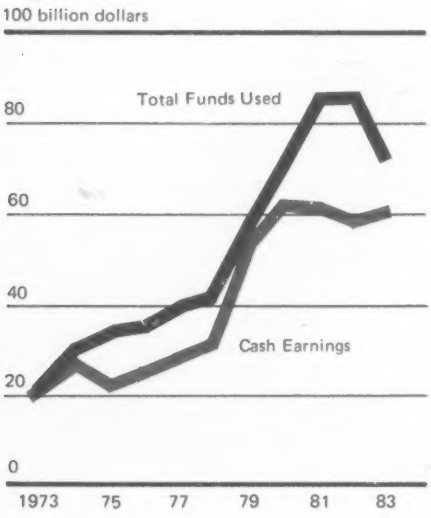
NET INCOME UNITED STATES VERSUS REST OF WORLD



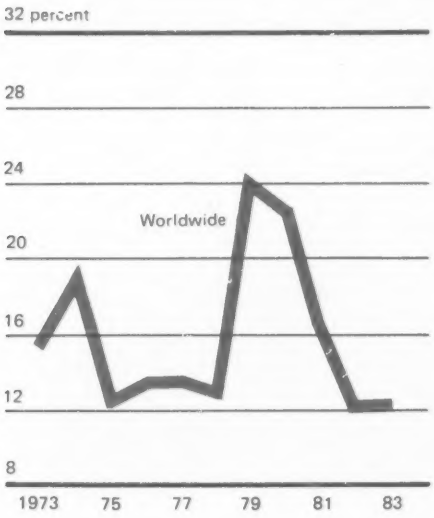
UNITED STATES AS A PERCENT OF TOTAL



CASH EARNINGS COMPARED TO TOTAL FUNDS USED

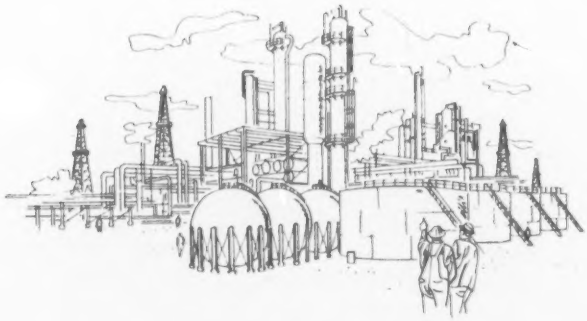


RETURN ON AVERAGE SHAREHOLDERS' EQUITY



Rate of Return

The modest increase in 1983 earnings resulted in an improvement in the Group's rate of return on average shareholders' equity, from 12.2 percent the year before to a level of 12.6 percent. With the sizeable gain in net income outside of the United States, the rate of return on overseas equity registered a strong increase to 15.2 percent, compared to 11.6 percent in 1982. In the United States, the decline in profits reduced the Group's return on equity to an unimpressive 10.9 percent as opposed to 12.6 percent last year.

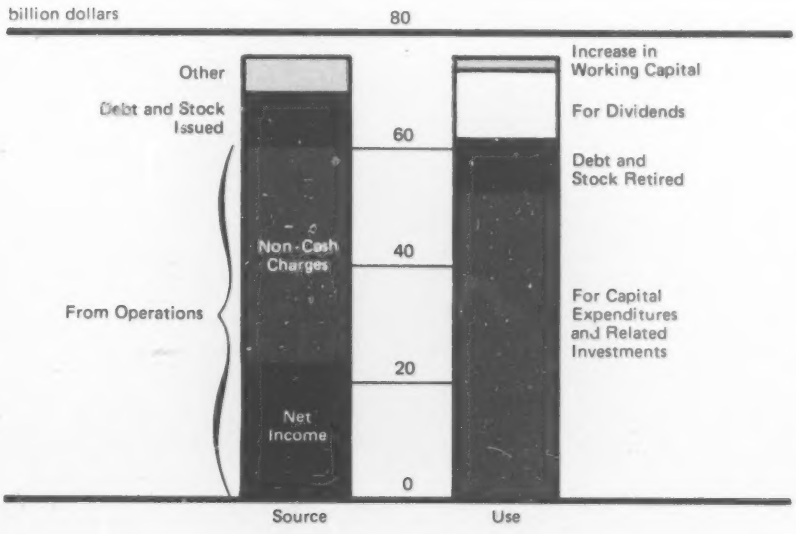


Sources

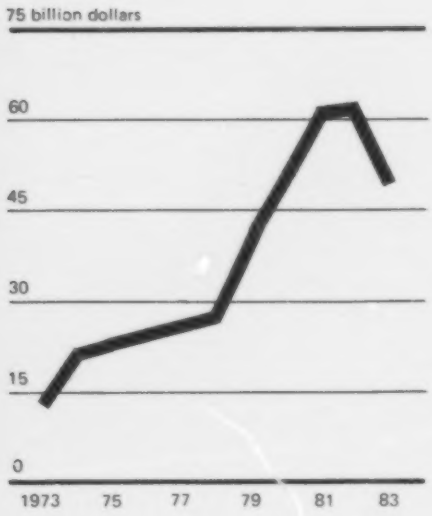
The funds utilized by the Group in 1983 decreased by $3 billion to $75.7 billion. After dropping substantially to an all-time low of 27 percent the year before, the proportional contribution from net income in 1983 rebounded somewhat to 30 percent of the total. Allowances for capital recovery that include depreciation, depletion and amortization also provided a larger share of 41 percent, compared to 37 percent in 1982. Other non-cash items supplied nine percent of the total, two percentage points lower than the previous year. Combined, these sources, all internally generated, accounted for a full 80 percent of all the funds used, up from 75 percent in 1982.

From outside sources, $8.7 billion was derived from the capital markets, of which $8.4 billion represented long-term debt and the remainder was from the issuance of equity. Other miscellaneous external sources generated $6.7 billion. Much of this came from the sale of assets.

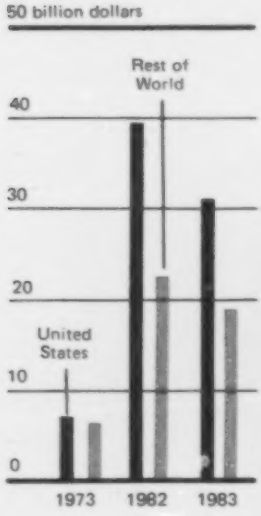
SOURCE AND USE OF FUNDS IN 1983



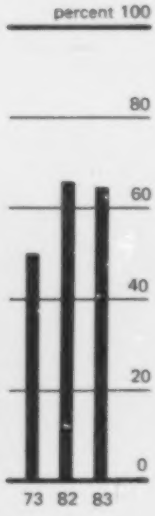
GROUP'S CAPITAL EXPENDITURES



UNITED STATES AND REST OF WORLD

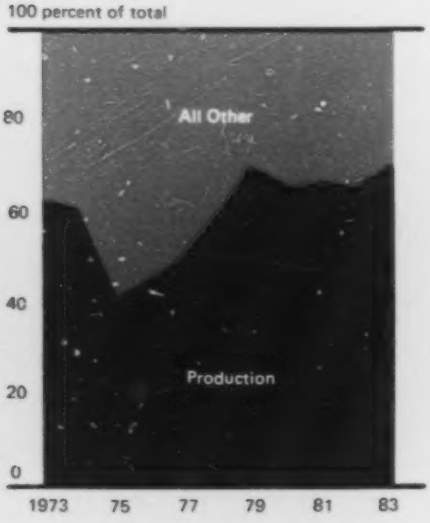


UNITED STATES SHARE



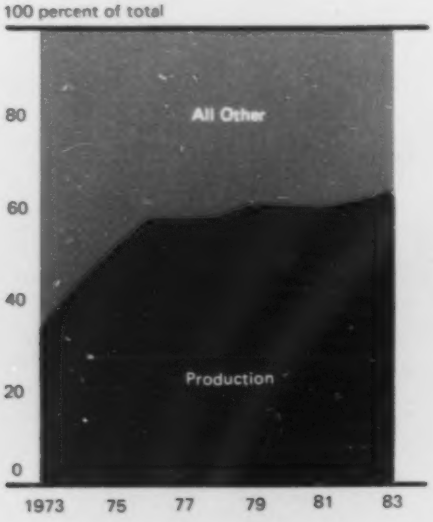
GROUP'S CAPITAL EXPENDITURES

United States



GROUP'S CAPITAL EXPENDITURES

Rest of World



Uses

Capital Expenditures

The previous year, 1982, saw the Group's capital expenditures level off after rising dramatically for a number of years. In 1983, however, capital expenditures plunged a huge 21 percent to $49.5 billion, a decline of $12.9 billion.The sizeable drop in net income for the two previous years, plus a less than optimistic expectation regarding future oil prices, were unquestionably some of the major influencing factors.

While all functional sectors were affected by the cutback, upstream capital expenditures were cut the most. Accounting for 60 percent of the total reduction, the capital investment for exploration and production decreased by $7.2 billion to $34.6 billion. A marked reduction in drilling costs was an additional factor significantly affecting the drop in these expenditures. The next largest functional decrease—$2.8 billion—occurred in the manufacturing category as outlays for refineries and chemical plants receded to $6.8 billion. An important contributory factor was an increase in the excess amount of manufacturing capacity, resulting from the lower demand for petroleum products. The decline in capital expenditures for transportation purposes of $458 million, to a level of $877 million, stemmed almost entirely from the reduction in spending for marine transportation facilities. The smallest decline—$185 million—occurred in the marketing segment. Other miscellaneous petroleum and non-petroleum investments totaled $4.5 billion, $2.3 billion less than in 1982.

Geographically, approximately two-thirds of the overall reduction took place in the United States. The next table compares the Group's 1983 and 1982 capital expenditures in the United States and the rest of the world, excluding CPEs.

Worldwide Capital Expenditures

	1983	1982	Change	
	Million $		Million $	Percent
United States	30,803	39,508	- 8,705	-22.0
Rest of World	18,718	22,945	- 4,227	-18.4
Total	49,521	62,453	-12,932	-20.7

Of the $8.7 billion reduction in the United States, 54 percent, or $4.7 billion, applied to exploration and production activities which, nevertheless, still accounted for approximately 73 percent of the Group's total investment in the U.S. Only the marketing function registered a gain in capital outlays in the United States, rising by $122 million to $1.2 billion. The Group's 1983 capital investments by primary segment in the United States are indicated in the following table, along with the changes from the year before.

United States Capital Expenditures

	1983	1982	Change	
	Million $		Million $	Percent
Exploration and Production	22,412	27,112	-4,700	-17.3
Transportation	611	862	- 251	-29.1
Refineries and Chemical Plants	4,130	5,949	-1,819	-30.6
Marketing	1,201	1,079	+ 122	+11.3
Other	2,449	4,506	-2,057	-45.7
Total	30,803	39,508	-8,705	-22.0

The capital invested in the rest of the world also declined substantially, but at a slightly lower rate of 18.4 percent compared to 22.0 percent in the U.S. Exploration and production activities absorbed the bulk of the decline outside the U.S. as well, being reduced to $12.2 billion from $14.7 billion in 1982. In absolute dollar terms, the decreases in the other segments were not nearly as great, but in percentage terms the transportation and manufacturing (refineries and chemical plants) sectors' decreases were quite sizeable.

Rest of World Capital Expenditures

	1983	1982	Change	
	Million $		Million $	Percent
Exploration and Production	12,195	14,708	- 2,513	-17.1
Transportation	266	473	- 207	-43.8
Refineries and Chemical Plants	2,632	3,601	- 969	-26.9
Marketing	1,545	1,853	- 308	-16.6
Other	2,080	2,310	- 230	-10.0
Total	18,718	22,945	- 4,227	-18.4

Dividends and Other Uses

Dividends distributed to stockholders as a share of the earnings slipped fractionally to $10.3 billion, from $10.4 billion in the prior year. In relation to net income, dividends represented 45.7 percent, as opposed to 48.9 percent the year before. The repayment of debt obligations consumed $7.5 billion, down from $8.1 billion the previous year, while the retirement of common and preferred stock rose from $1 billion to $1.6 billion. Investments in and advances to affiliated companies dropped from $3.7 billion to $2.9 billion. Altogether, the funds used by the Group in 1983 plunged to $72.6 billion and registered an unparalleled reduction of $13.8 billion, most of which was due to the drastic reduction in capital expenditures. After disposing of the $72.6 billion, the balance of the available funds—$3.1 billion—was used to increase working capital.

Working Capital

For the past two years, the Group registered dramatic and unprecedented decreases in working capital, primarily because of proportionately large reductions in current assets relative to current liabilities. In 1983, however, working capital increased by $3.1 billion to $29.2 billion.

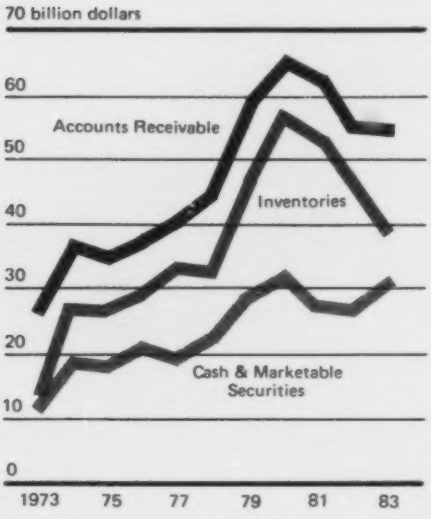
Working Capital

	12/31/83	12/31/82	Change	
	Million $		Million $	Percent
Current Assets	128,640	134,797	-6,157	- 4.6
Current Liabilities	99,425	108,642	-9,217	- 8.5
Working Capital	29,215	26,155	+3,060	+11.7
Current Ratio	1.29	1.24	----	----

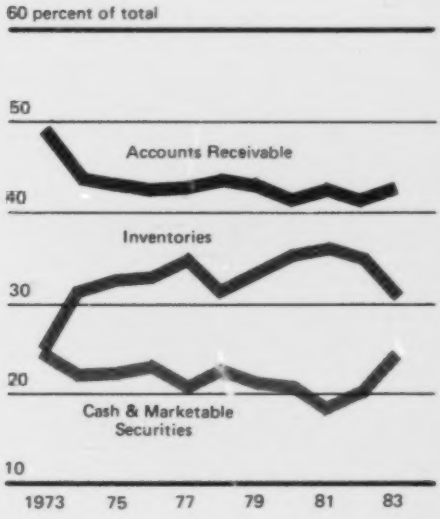
As indicated in the table, both current assets and current liabilities were lower at year-end 1983. Current liabilities declined at a rate nearly twice that of current assets. The decrease in current assets resulted principally from a drop in inventories to more suitable levels in response to the diminished demand for petroleum products. Total inventory values were cut back from $47.4 billion the previous year to $39.2 billion. Of this $8.2 billion inventory reduction, crude oil and refined products inventories alone accounted for $7 billion, and materials and supplies for the remaining $1.2 billion. Accounts and notes receivable, the largest individual subdivision within current assets, was also reduced, but by a modest $1.3 billion, to $54.3 billion. In sharp contrast, the other two current asset categories, cash and marketable securities, gained by $2.4 billion and $2.2 billion to levels of $16.7 billion and $15.1 billion, respectively.

Except for a relatively small increase in taxes payable, the other current liability classifications declined from the previous year. By far the largest decrease was recorded in

CURRENT ASSETS



DISTRIBUTION OF CURRENT ASSETS

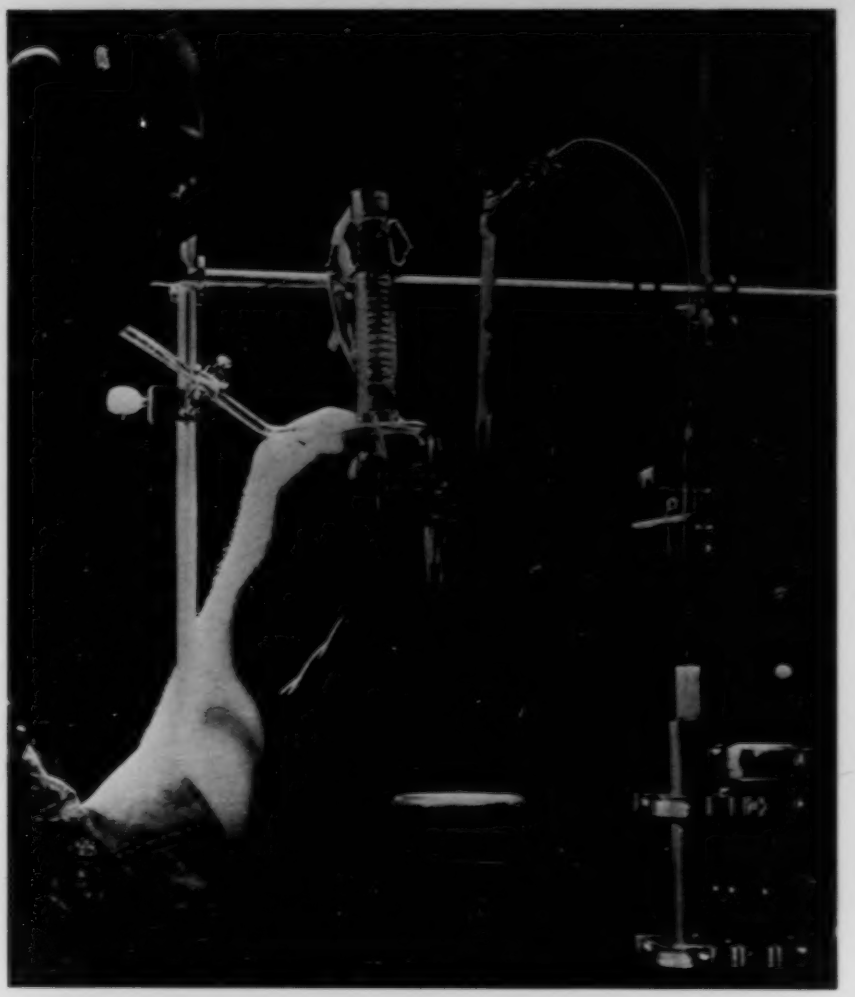


notes and loans payable, as these short-term debt obligations dropped by $7.4 billion to $13.5 billion. The largest account in current liabilities, accounts payable, recorded the smallest decline, slipping by $1.4 billion to $53.4 billion.

Because the decrease in current assets was smaller than the decrease in current liabilities, the Group's current ratio (determined by dividing current assets by current liabilities) rose from 1.24 to 1.29.

Capital Employed

The capital employed by the Group at the end of 1983 rose by nearly $6 billion to a total of $245.5 billion. Most of this gain occurred in the invested capital (also known as shareholders' equity) segment because the bulk of the funds earned during the year were reinvested. After growing consistently for many years, the Group's long-term debt dipped slightly from the prior year's level of $50.1 billion to $49.8 billion as 1983 came to a close. This small drop, along with the overall increase in the total capital employed, caused



the Group's proportion of long-term debt to capital employed to decrease from 20.9 percent a year earlier to 20.3 percent. A comparison of the amount of capital employed at year end for 1983 and 1982 is contained below.

Capital Employed

	12/31/83	12/31/82	Change	
	Million $		Million $	Percent
Long-term debt	49,820	50,089	- 269	-0.5
Minority Interests	13,164	12,453	+ 711	+5.7
Invested Capital	182,534	177,008	+5,526	+3.1
Total Capital Employed	245,518	239,550	+5,968	+2.5

Statistical Tables

22 Source of Crude Oil
22 Refinery Crude Runs
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23 Distribution of Total Revenue Dollar
24 Rates of Return
24 Source and Use of Working Capital
25 Expenditures for Fixed Assets
25 Capital and Exploration Expenditures
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26 Earnings Reinvested and Employed
27 Net Assets
27 Working Capital
28 Investment in Fixed Assets

Photographs used in this study were furnished through the courtesy of Exxon Corporation and Mobil Oil Corporation.

1 Source of Crude Oil

	1983	1982	Change TBD	Change Percent
	Thousand Barrels Per Day			
United States	5,533	5,575	– 42	– 0.8
Canada	829	799	+ 30	+ 3.8
Venezuela	425	514	– 89	–17.3
Other Western Hemisphere	550	530	+ 20	+ 3.8
Western Hemisphere	7,337	7,418	– 81	– 1.1
Europe	2,244	2,005	+ 239	+11.9
Africa	1,112	1,167	– 55	– 4.7
Middle East	3,575	5,460	–1,885	–34.5
Far East	1,351	1,173	+ 178	+15.2
Eastern Hemisphere	8,282	9,805	–1,523	–15.5
Total World-wide (a)	15,619	17,223	–1,604	– 9.3

Note: The above figures include 100% of operations of companies and consolidated subsidiaries and equity in foreign operations of non-consolidated affiliates based on percentage of stock ownership, plus purchases from governments.

(a) Figures expressed in million barrels are as follows:

	1983	1982
United States	2,019	2,035
Other Countries	3,682	4,251
Total	5,701	6,286

2 Refinery Crude Runs

	1983	1982	Change TBD	Change Percent
	Thousand Barrels Per Day			
United States	8,400	8,439	– 39	– 0.5
Canada	1,061	1,174	– 113	– 9.6
Venezuela	0	0	0	– 0
Other Western Hemisphere	1,176	1,324	– 148	–11.2
Western Hemisphere	10,637	10,937	– 300	– 2.7
Europe	5,048	5,507	– 459	– 8.3
Africa	211	278	– 67	–24.1
Middle East	168	180	– 12	– 6.7
Far East	2,517	2,512	+ 5	+ 0.2
Eastern Hemisphere	7,944	8,477	– 533	– 6.3
Total World-wide (a)	18,581	19,414	– 833	– 4.3

Note: The above figures include 100% of operations of companies and consolidated subsidiaries and equity in foreign operations of non-consolidated affiliates based on percentage of stock ownership.

(a) Figures expressed in million barrels are as follows:

	1983	1982
United States	3,066	3,080
Other Countries	3,716	4,006
Total	6,782	7,086

3 Income Statement

	1983	1982	Percent Change
	Million Dollars		
Gross Operating Revenue	514,469	557,435	– 7.7
Non-Operating Revenue	9,495	10,725	– 11.5
Total Revenue	523,964	568,160	– 7.8
Operating Costs and Expenses	402,848	446,005	– 9.7
Taxes Other than Income Taxes (a)	31,485	34,052	– 7.5
Write-offs	30,628	29,180	+ 5.0
Interest Expense	6,158	6,705	– 8.2
Other Charges	43	61	– 29.5
Total Deductions	471,162	516,003	– 8.7
Net Income before Income Taxes	52,802	52,157	+ 1.2
Estimated Income Taxes	28,529	29,362	– 2.8
Income Applicable to Minority Interests	1,605	1,533	+ 4.7
Net Income (b) (c)	22,668	21,262	+ 6.6

(a) Excludes $44,721 million in 1983 and $44,467 million in 1982 representing sales and excise taxes on gasoline and other refined products, which are collected from customers and accounted for to United States federal, state and city authorities, and to other governments. Such taxes are deducted before arriving at gross operating revenue.

(b) Excludes $195 million of extraordinary loss in 1983 and $16 million of extraordinary profit in 1982.

(c) Includes earnings from operations outside U.S.: 1983 — $11,247 million and 1982 — $8,431 million.

4 Distribution of Total Revenue Dollar

	1983	1982
	Cents	
Operating Costs and Expenses	76.9	78.5
Write-offs	5.8	5.1
Interest	1.2	1.2
All Taxes	11.5	11.2
Income Applicable to Minority Interests	0.3	0.3
Dividends to Stockholders	2.0	1.8
Reinvested in Business	2.3	1.9
Total Revenue	100.0	100.0

5 Rates of Return

	1983	1982
	Million Dollars	
Average Capital Employed (a)	242,534	234,963
Earnings (b)	30,431	29,500
Return	12.5	12.6
Average Shareholders' Equity (c)	179,771	174,022
Earnings (d)	22,668	21,262
Return	12.6	12.2
Average Total Assets	409,186	404,112
Earnings (e)	24,273	22,795
Return	5.9	5.6
Average Gross Fixed Assets	388,486	359,847
Gross Operating Profit (f)	80,136	77,378
Return	20.6	21.5

(a) Includes long-term debt, preferred stock, common stock, surplus and equity of minority interests.

(b) Represents net income plus interest charges and income applicable to minority interests.

(c) Includes preferred stock, common stock and surplus.

(d) Represents net income.

(e) Represents net income plus income applicable to minority interests.

(f) Represents gross operating revenue less operating costs and expenses and taxes — other than income taxes.

6 Source and Use of Working Capital Year 1983

	Million Dollars	Percent Distribution
Funds Available From:		
Cash Earnings (a)	60,256	79.6
Long-Term Debt Issued	8,407	11.1
Preferred and Common Stock Issued	300	0.4
Sales of Assets and Other Transactions	6,706	8.9
Total	75,669	100.0
Funds Used For:		
Capital Expenditures	49,521	65.5
Investments and Advances	2,859	3.8
Dividends to Companies' Shareholders	10,358	13.7
Dividends to Minority Interests	699	0.9
Long-Term Debt Repaid	7,524	9.9
Preferred and Common Stock Retired	1,648	2.2
Total	72,609	96.0
Change in Working Capital	3,060	4.0

(a) Represents:

	Million Dollars
Net Income	22,668
Write-offs	30,628
Other Non-Cash Charges (net)	6,960
Cash Earnings	60,256

7 Expenditures for Fixed Assets Year 1983

By Function –	United States	Other Countries	Combined
	Million Dollars		
Exploration and Production:			
Crude Oil and Natural Gas (a)	21,973	12,121	34,094
Natural Gas Liquids Plants	439	74	513
Total	22,412	12,195	34,607
Transportation:			
Pipe Lines	318	103	421
Marine	211	152	363
Other	82	11	93
Total	611	266	877
Refineries and Chemical Plants	4,130	2,632	6,762
Marketing	1,201	1,545	2,746
Others	2,449	2,080	4,529
Total	30,803	18,718	49,521

(a) Excludes exploration expenses and lease rentals charged to income account.

By Area –	1983	1982
	Million Dollars	
United States	30,803	39,508
Canada	3,146	3,472
Venezuela	0	0
Other Western Hemisphere	1,060	1,498
Western Hemisphere	35,009	44,478
Europe	8,184	10,582
Africa	1,825	2,351
Middle East	728	559
Far East	3,775	4,483
Eastern Hemisphere	14,512	17,975
Total	49,521	62,453

8 Capital and Exploration Expenditures Year 1983

	United States	Other Countries	Combined
	Million Dollars		
Exploration and Production Expenditures*	19,200	10,048	29,248
Dry Holes	2,773	2,073	4,846
Total E&P Capitalized	21,973	12,121	34,094
Geological and Geophysical Expenses and Lease Rentals	3,564	2,029	5,593
Total Production and Exploration Cost	25,537	14,150	39,687
Other Capital Expenditures	8,391	6,523	14,914
Other Mining Expenses	154	101	255
Capital and Exploration Expenditures	34,082	20,774	54,856

*Excludes expenditures for Natural Gas Liquids Plants.

9 Balance Sheet

Assets	12/31/83	12/31/82	12/31/83	12/31/82
	Million Dollars		Percent Distribution	
Current Assets	128,640	134,797	31.4	33.0
Investments and Advances	21,304	20,759	5.2	5.1
Property, Plant and Equipment (a)	248,443	241,223	60.6	59.1
Other Assets	11,563	11,643	2.8	2.8
Total Assets	409,950	408,422	100.0	100.0
Liabilities and Net Worth				
Current Liabilities	99,425	108,642	24.3	26.6
Long-Term Debt	49,820	50,089	12.2	12.3
Deferred Credits	48,974	44,684	11.9	10.9
Other Reserves	16,052	15,546	3.9	3.8
Minority Interests	13,164	12,453	3.2	3.0
Shareholders' Equity:				
Preferred Stock	475	458	0.1	0.1
Common Stock	9,220	11,049	2.2	2.7
Capital Surplus	11,074	9,502	2.7	2.3
Earnings Reinvested in Business	161,746	155,999	39.5	38.2
Shareholders' Equity	182,515	177,008	44.5	43.3
Total Liabilities and Shareholders' Equity	409,950	408,422	100.0	100.0

(a) After deducting accumulated reserves of $149,865 million in 1983 and $137,441 million in 1982.

10 Earnings Reinvested and Employed

	Million Dollars
Balance at December 31, 1982	155,999
Add: Net Income	22,668
	178,667
Less: Cash Dividends	10,358
Stock Dividends	10
Other Charges	6,553
Balance at December 31, 1983	161,746

11 Net Assets Year 1983

	United States	Other Countries	Combined
	Million Dollars		
Working Capital	7,739	21,476	29,215
Investments and Advances	7,301	14,003	21,304
Property, Plant and Equipment (a)	163,118	85,325	248,443
Other Assets	7,086	4,477	11,563
	185,244	125,281	310,525
Less: Long-Term Debt	33,136	16,684	49,820
Other Reserves and Credits	34,227	30,799	65,026
Minority Interests	9,405	3,759	13,164
Preferred Stock	428	47	475
Total Net Assets	108,048	73,992	182,040
Percent Distribution	59.4	40.6	100.0

(a) After deducting accumulated reserves of $100,191 million for United States facilities and $49,674 million for facilities of other countries.

12 Working Capital

	12/31/83	12/31/82	Change	12/31/83	12/31/82
	Million Dollars			Percent Distribution	
Cash	16,661	14,299	2,362	13.0	10.6
Marketable Securities	15,089	12,894	2,195	11.7	9.6
Accounts and Notes Receivable (net)	54,277	55,549	–1,272	42.2	41.2
Inventories:					
Crude Oil, Refined Products and Other Merchandise	32,578	39,613	–7,035	25.3	29.4
Materials and Supplies	6,613	7,811	–1,198	5.1	5.8
All Other	3,422	4,631	–1,209	2.7	3.4
Total Current Assets	128,640	134,797	–6,157	100.0	100.0
Accounts Payable	53,391	54,788	–1,397	53.7	50.4
Notes and Loans Payable	13,468	20,826	–7,358	13.5	19.2
Income and Other Taxes	18,391	17,423	968	18.5	16.0
All Other	14,175	15,605	–1,430	14.3	14.4
Total Current Liabilities	99,425	108,642	–9,217	100.0	100.0
Working Capital	29,215	26,155	3,060	–	–
Ratio of C.A. to C.L.	1.29	1.24	–	–	–

13 Investment in Fixed Assets December 31, 1983

By Function –	Gross			Net		
	United States	Other Countries	Combined	United States	Other Countries	Combined
	Million Dollars			Million Dollars		
Production:						
Crude Oil and Natural Gas	149,875	65,656	215,531	88,662	44,065	132,726
Natural Gas Liquids Plants	5,246	977	6,223	3,107	565	3,673
Total	155,121	66,633	221,754	91,769	44,630	136,399
Transportation:						
Pipe Lines	14,341	977	15,318	9,262	587	9,849
Marine	3,452	8,181	11,633	2,374	4,706	7,080
Other	1,363	518	1,881	712	294	1,006
Total	19,156	9,676	28,832	12,348	5,587	17,935
Refineries and Chemical Plants	52,095	30,250	82,345	31,670	16,704	48,374
Marketing	12,568	17,924	30,492	7,859	9,780	17,639
Others	24,311	10,574	34,885	19,414	8,682	28,096
Total	263,251	135,057	398,308	163,060	85,383	248,443

By Area –	12/31/83		12/31/82	
	Gross	Net	Gross	Net
	Million Dollars		Million Dollars	
United States	263,251	163,060	244,966	155,925
Canada	23,170	15,845	21,706	14,774
Venezuela	11	–31	10	–24
Other Western Hemisphere	8,796	4,947	7,677	4,268
Western Hemisphere	295,228	183,821	274,359	174,943
Europe	72,473	44,835	76,807	48,147
Africa	9,228	5,663	8,664	5,383
Middle East	2,472	1,433	1,880	1,063
Far East	18,907	12,691	16,954	11,687
Eastern Hemisphere	103,080	64,622	104,305	66,280
Total	398,308	248,443	378,664	241,223

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Financial Analysis of a Group of Petroleum Companies 1984

CHASE

Issued: July, 1985

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1984

Financial Analysis of a Group of Petroleum Companies

by David J. Behling, Jr., *Vice President*
Richard S. Dobias, *Second Vice President*
Norma J. Anderson, *Assistant Treasurer*

Energy Economics
Global Petroleum Division, July 1985

Companies Included in Study

Amerada Hess Corporation
Amoco Corporation
Ashland Oil, Inc.
Atlantic Richfield Company
The British Petroleum Company p.l.c.
Champlin Petroleum Company
Chevron Corporation
Exxon Corporation
The Louisiana Land and Exploration Company
Mobil Oil Corporation
Murphy Oil Corporation
Petrofina Societe Anonyme
Royal Dutch/Shell Group of Companies
Societe Nationale Elf Aquitaine
Sun Company, Inc.
Texaco Inc.
Tosco Corporation
TOTAL Compagnie Francaise des Petroles
Unocal Corporation

This study is based on data secured from annual reports to stockholders and to the Securities and Exchange Commission and on information developed from other sources. The Energy Economics Group of Chase Manhattan Bank wishes to thank the companies and individuals who have cooperated in supplying special information and material used in this survey.

Additional copies may be obtained from:
Energy Economics
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7th Floor
1 Chase Manhattan Plaza
New York, NY 10081

Foreword

For many years The Chase Manhattan Bank has conducted a detailed study of the financial performance of the larger non-OPEC petroleum companies. Because the aggregate operations of these companies constitute a significant proportion of the worldwide activities of the petroleum industry, an analysis of their combined financial performance provides an important part of the analysis of the entire worldwide industry.

Over the years the number of companies comprising the Chase Group, as listed on the adjoining page, has changed as a result of additions and mergers. This year, Societe Nationale Elf Aquitaine has been added to the Chase Group. Unfortunately, restrictions regarding time and availability of data prevent the incorporation of this company in this year's report. The final 1984 estimates for Societe Nationale Elf Aquitaine will be included in next year's report. Also, it was necessary in a few instances this year to estimate certain figures that were not yet available from the participating companies at press time. This was done in order to provide the results of this study on a more timely basis than in recent years. The final figures for 1984, to be represented in next year's report, are expected to be close to the figures presented here.

This year we have added a new table covering the taxes paid by the Chase Group. We have also changed the definitions we use to report crude oil production, refinery crude runs and net income, and have completely eliminated information on net assets. This was done to simplify the reporting requirements of the participating companies. Subsequently, we will, on request, provide past time series of these variables, consistent with the new definitions used here for 1983 and 1984. A ten-year time series of key variables will be included in next year's report.

The study is based on data secured from annual reports to stockholders and to the United States Securities and Exchange Commission, as well as on information developed from other sources. The use of these multiple data sources permits us to present, in a consistent time series format, certain information that is not easily obtainable from any one source.

Some of the unique aspects of the report include:

- Net income and rates of return, shown separately for the U.S. and the rest of the world.
- Gross and net investment in fixed assets, shown according to both function and regional location of the assets.
- Current year capital expenditures, also reported by both function and regional location.
- Taxes paid, shown separately for income taxes and other taxes.

As a service to the petroleum industry, and all others with a related interest, the Bank has published annually since 1945 the summarized results of this study.

David J. Behling, Jr.

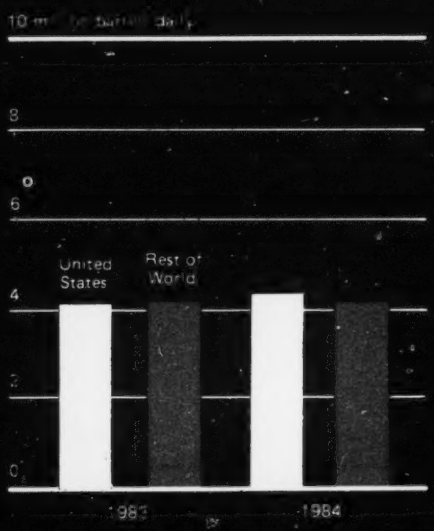
Net Crude Oil Production

In 1984, the first year-over-year increase in world demand for petroleum products in five years contributed to higher equity crude oil production by the Chase Group. Net world production of crude oil by the Group in 1984 increased by four percent to 8.6 million barrels per day. This volume represented approximately 22 percent of all the oil which was produced in the world during 1984, excluding production in Centrally Planned Economies (CPEs). Most of the increase occurred in the United States, where the Group's production rose to 4.4 million barrels per day, 339 thousand barrels per day more than in 1983. Additional production from the North Sea led to the next largest increase, of 187 thousand barrels per day in Europe, as the volume there reached more than 1.8 million barrels per day. The crude oil produced during 1984 in the United States and Europe together accounted for 73 percent of the Group's worldwide total. Less significant increases of 79 thousand, 16 thousand and 9 thousand barrels per day were recorded in Africa, the Middle East and Other Western Hemisphere areas, respectively.

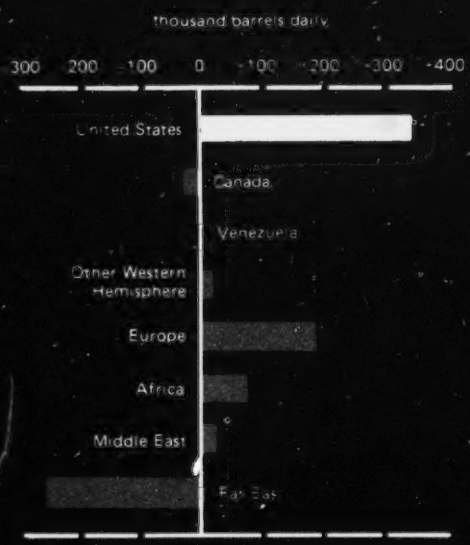
Production did not increase everywhere. The daily production volume of the Group in the Far East was reduced by an average of 267 thousand barrels to 630 thousand. Canadian production decreased a small 24 thousand barrels per day.

As we note in the Foreword, this year we have changed the definition we use to report crude oil production. This year we are including only those volumes of crude oil owned and produced by the companies and their consolidated subsidiaries, after royalties. Previously we had also included volumes acquired from governments of producing nations and volumes produced by non-consolidated affiliates.

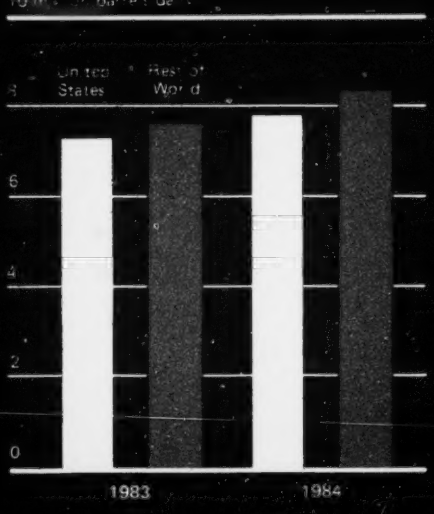
NET CRUDE OIL PRODUCTION . . .



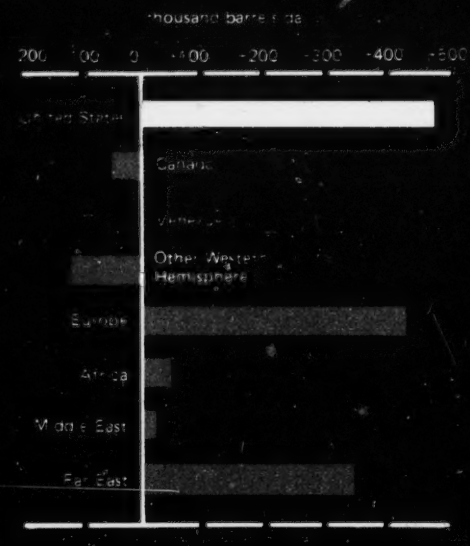
CHANGE FROM 1983



REFINERY CRUDE RUNS



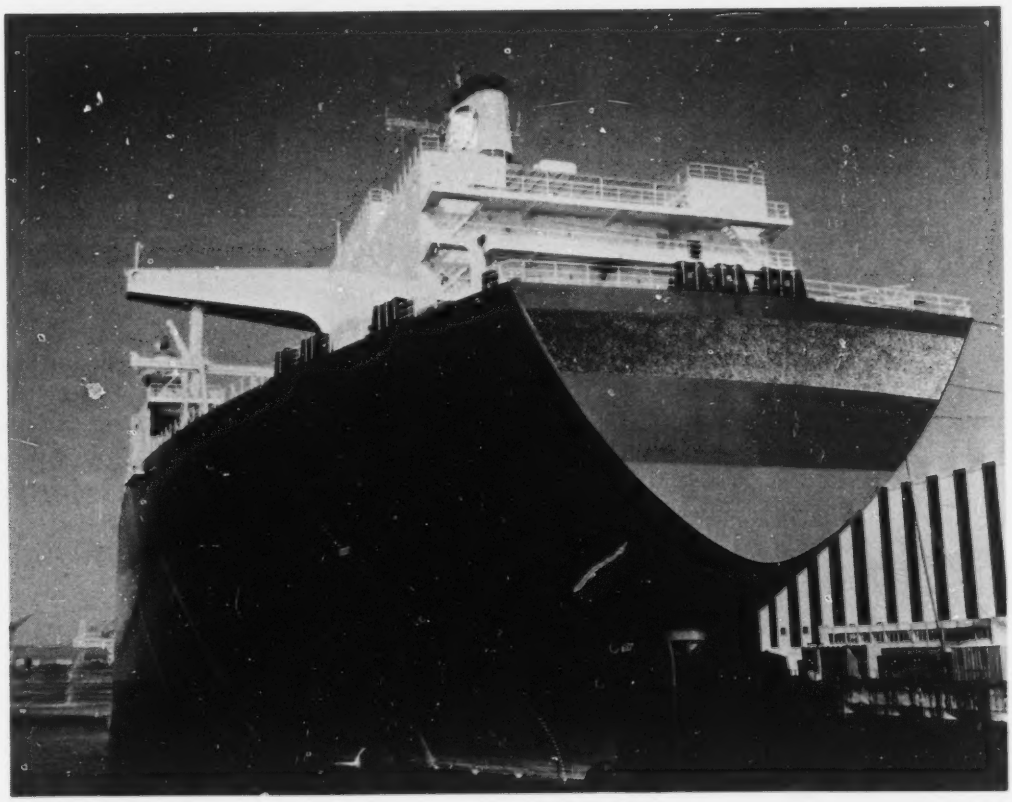
CHANGE FROM 1983



Refinery Crude Runs

The volume of crude oil refined by the Group in 1984 grew by 1.2 million barrels to 16.1 million per day, as the world economic recovery continued. Significant increases took place in the United States, Europe and the Far East. In the United States, the Group's crude runs rose by 481 thousand barrels per day to 7.8 million. In Europe, crude runs rose almost as much, 424 thousand barrels per day, to 4.8 million. In the Far East, the absolute increase was the smallest, at 348 thousand barrels per day. But, in terms of percentage increase over 1983, Far East crude runs rose 28.3 percent, compared to 9.6 percent in Europe and 6.6 percent in the U.S.

In this study the refinery crude runs include only the volume of crude oil processed by the companies and their consolidated subsidiaries. This reporting change corresponds to the change made this year in reporting crude oil production.



Revenue

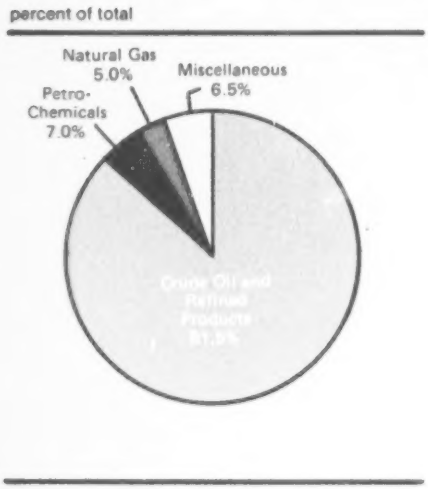
In 1984, higher amounts of equity crude oil production were offset somewhat by weaker crude oil and product prices and, most importantly, by lower refining profit margins. Still, the Group's gross operating revenue in 1984 rose slightly to $465.1 billion, $5.9 billion more than in 1983. Revenue increased for all the primary segments of the industry. Sales of crude oil and refined products increased by $3.6 billion to $378.9 billion and accounted for 81.5 percent of total revenue. Proceeds from the sale of chemical products rose to $32.6 billion, or seven percent of the operating revenue, for a gain of $1.4 billion. Revenue from the marketing of natural gas registered a gain of $2.8 billion to $23.2 billion, or five percent of the overall amount. Various other operating activities recorded the only decline — $1.9 billion — to $30.4 billion.

Over and above the revenue generated from operations, the Group also received $9.1 billion in non-operating revenue. These funds, which primarily represent interest, dividends and equity in the earnings of affiliated companies, rose from $8.4 billion the prior year. The combined operating and non-operating revenue in 1984 totaled $474.2 billion, $6.5 billion more than from those sources in the preceding year.

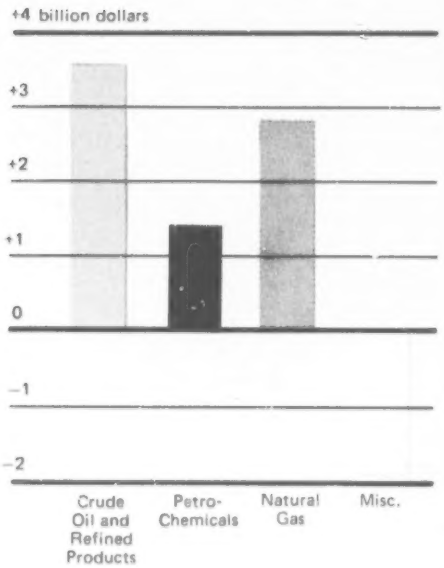
Charges Against Revenue

Although revenue rose in 1984, the total of the various expense items charged against revenue rose even more. The Group's total direct tax charge in 1984 registered the largest increase, rising from $53.1 billion to $57.3 billion. Of this $4.2 billion jump, greater income taxes alone accounted for $3 billion. Primarily because of this additional tax burden, the percentage of total taxes paid to total revenue climbed to 12.1 percent in 1984 compared to 11.4 percent for 1983. A new table has been added to this publication comparing the Group's direct taxes for 1984

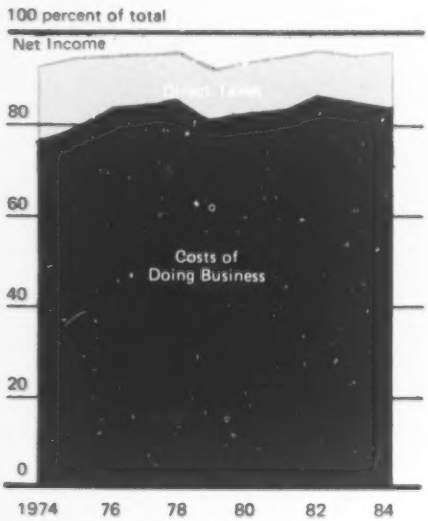
SOURCES OF REVENUE – 1984



REVENUE CHANGES FROM 1983



COSTS, DIRECT TAXES AND NET INCOME AS PERCENT OF GROSS OPERATING REVENUE



NET INCOME IN RELATION TO TAXES

and 1983. This table appears in Schedule 11 on page 27. Only those taxes directly imposed on the companies are included in this study. Consequently, sales and excise taxes collected from consumers are omitted from both revenue and tax figures. In 1984, income taxes accounted for 47 percent of all direct taxes. Other direct taxes included taxes on oil and gas production, property, payrolls, sales and other items, including windfall profits. In a forthcoming *Petroleum Situation,* we will provide greater detail regarding taxes paid by the Chase Group.

While taxes increased the most of all the expense items, certain important expenses of substance also rose. In particular, write-off provisions, principally for depreciation, depletion and amortization, climbed by $3.3 billion to $29.5 billion. Also, despite lower average interest rates in 1984, the Group's interest expense grew significantly, from $5.5 billion to $6.9 billion. This increase was a result of a sizeable expansion in the Group's debt during the year.

The only significant cost item which declined in 1984 was operating costs, which fell $1.6 billion to $359.6 billion. This reduction reflected the lower cost of acquiring crude oil and specific cost-cutting efforts, including personnel reductions. Still, the sum of all expense items charged against revenue in 1984 total $454.8 billion, an increase of $7.1 billion, as opposed to the $6.5 billion growth in total revenue.

Net Income

As a consequence of the larger growth in expenses compared to revenue, the Group's 1984 worldwide net income registered a decline of $590 million, to $19.4 billion. At this level, net income represented 4.1 percent of total revenue, down from 4.3 percent in 1983. U.S. net income declined to $8 billion, a drop of $1.6 billion or 16.5 percent, from the 1983 level of $9.6 billion. This large decline was due in part to unusually large charges against earnings resulting from discontinued activities. On the other hand, net income outside the United States rose by approximately $1 billion to $11.5 billion, an increase of 9.4 percent over 1983. Here there

were not as many special charges. The Group's net income in 1984 for the United States and the rest of the world, along with the changes from the year before, is detailed in the next table.

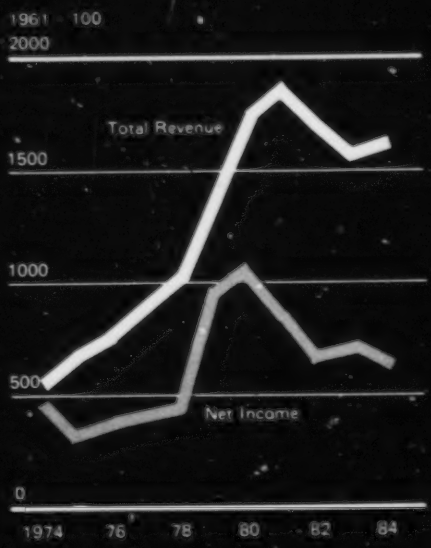
Net Income

	1984	1983	Change	
	Million $		Million $	Percent
United States	7,996	9,573	–1,577	–16.5
Rest of World	11,452	10,465	+ 987	+ 9.4
Total	19,448	20,038	– 590	– 2.9

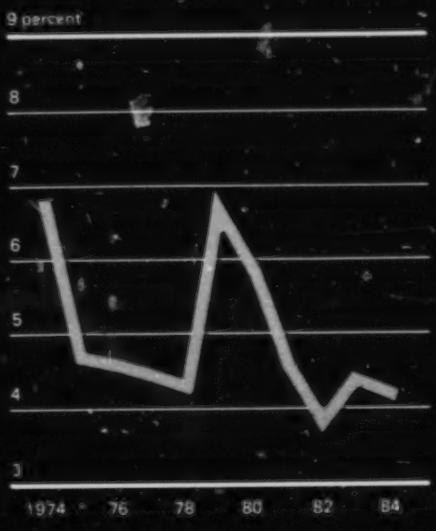
Rate of Return

The decline in net income for the Group led to a corresponding decline in the Group's rate of return on average shareholders' equity. On a worldwide basis, the Group's 1984 rate of return slipped from 12.9 percent to 12.3 percent. In the United States, the substantial decline in net income caused a sizeable decrease in the rate of return, from 10.9 percent in 1983 to 8.7 percent in 1984. Conversely, the return earned outside the United States rose moderately to 17.5 percent, up from 15.3 percent in 1983.

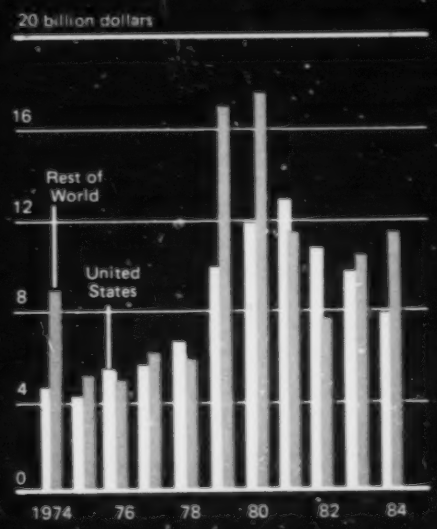
NET INCOME RELATED TO TOTAL REVENUE



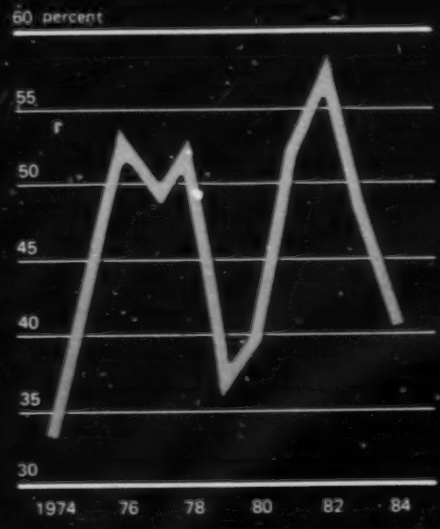
NET INCOME AS A PERCENT OF TOTAL REVENUE



NET INCOME UNITED STATES VERSUS REST OF WORLD

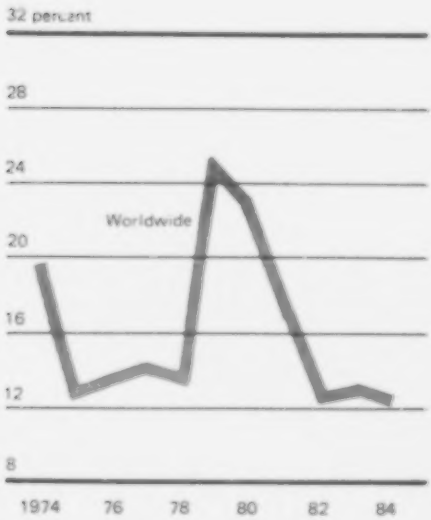


UNITED STATES AS A PERCENT OF TOTAL



CASH EARNINGS COMPARED TO TOTAL FUNDS USED

RETURN ON AVERAGE SHAREHOLDERS' EQUITY

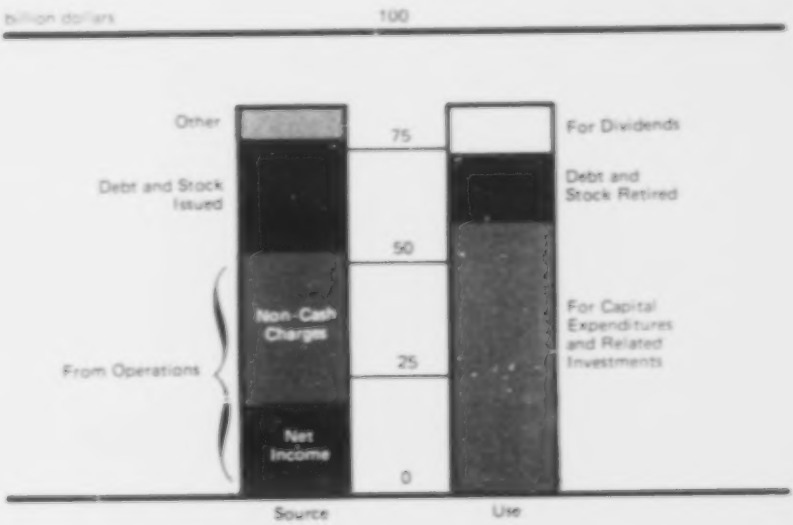


Source and Use of Funds

Sources

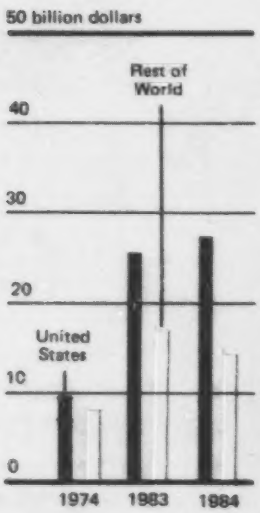
A total of $71.1 billion — $5.6 billion more than a year earlier—became available to the Group during 1984 for investments, repayment of debt and dividend payments. Net income contributed 27 percent of the total in 1984, down from 31 percent in 1983. Capital recovery provisions such as depreciation, depletion and amortization accounted for 41 percent, slightly higher than the 40 percent in the previous year. Various other non-cash charges provided seven percent as opposed to nine percent one year earlier. These funds, which were generated from the Group's operations, represented 75 percent of the total sources of funds which were available to the Group in 1984, compared to 80 percent in 1983. The remaining 25 percent of funds in 1984 were raised from the capital markets. In 1984, the Group secured $22.3 billion, the highest amount from this source for any single year, and $15 billion more than in 1983. These funds were practically all in the form of long-term

SOURCE AND USE OF FUNDS IN 1984

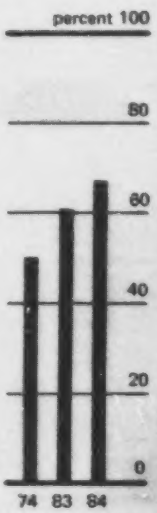


GROUP'S CAPITAL EXPENDITURES

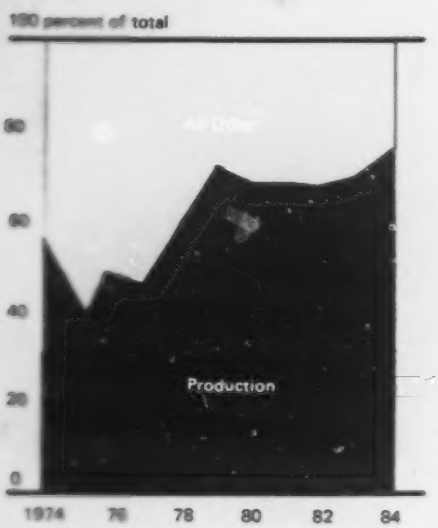
UNITED STATES AND REST OF WORLD



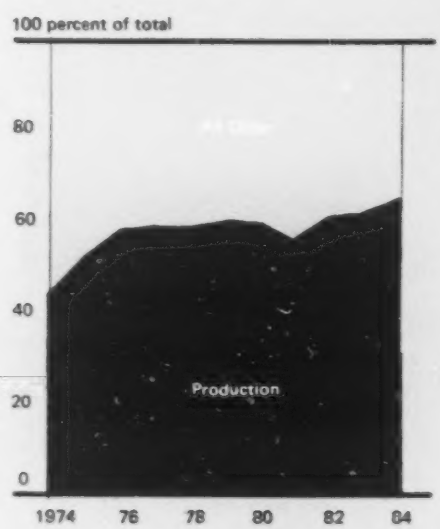
UNITED STATES SHARE



GROUP'S CAPITAL EXPENDITURES
United States



GROUP'S CAPITAL EXPENDITURES
Rest of World



debt. This large expansion in borrowing was primarily related to the need for additional funds by certain companies to finance mergers or acquisitions.

Uses

Capital Expenditures

After plummeting the year before, the Group's total capital expenditure changed little in 1984. The continuation of lower earnings levels for the past few years, downward pressure on prices and the uncertainty regarding the future of these factors all dampened the level of capital investments. The Group's investments in 1984 totaled $43.2 billion, $557 million or 1.3 percent greater than the year before. Despite the insignificant change in total, however, there was considerabie change in some of the segments. The outlay for exploration and production rose by $2.1 billion to $31 billion and accounted for 72 percent of all capital investments in 1984, compared to 68 percent in 1983. The only other major functional increase — $523 million — occurred in marketing, which reached a level of $3.1 billion. The expenditures for processing facilities (refineries and chemical plants) registered the largest decline, down by $1.3 billion to the level of $5 billion, reflecting the existing excess of manufacturing capacity. Investment in the transportation facilities was practically unchanged at $793 million. Various other capital investments declined from $4 billion in 1983 to $3.3 billion.

Just as expenditure changes varied considerably by function from 1983, they similarly varied significantly between the United States and the rest of the world, as reported in this table.

Worldwide Capital Expenditures

	1984	1983	Change	
	Million $		Million $	Percent
United States	27,753	25,806	+1,947	+ 7.5
Rest of World	15,429	16,819	- 1,390	- 8.3
Total	43,182	42,625	+ 557	+ 1.3

The large gain in the United States resulted mostly from a sizeable increase in the Group's outlay to locate and develop more petroleum reserves. Exploration and production capital expenditures in the U.S. climbed by $2.6 billion to $20.9 billion. At this level, they represented 68 percent of the Group's worldwide investment for E&P purposes and 75 percent of the investment for all purposes in the United States. New investments for marketing activities also rose, to $1.5 billion from $1.1 billion the previous year. All other types of investment declined in the U.S. This table details the variations in U.S. capital expenditures between 1984 and 1983 by type of activity.

United States Capital Expenditures

	1984	1983	Change	
	Million $		Million $	Percent
Exploration and Production	20,925	18,372	+2,553	+13.9
Transportation	527	554	− 27	− 4.9
Refineries and Chemical Plants	3,116	3,728	− 612	−16.4
Marketing	1,527	1,088	+ 439	+40.3
Other	1,658	2,064	− 406	−19.7
Total	27,753	25,806	+1,947	+ 7.5

In contrast to the U.S., investment in exploration and production in the rest of the world declined $459 million to

$10.1 billion. Still, these exploration and production expenditures accounted for 65 percent of the Group's overall total in the rest of the world, up somewhat from 63 percent in 1983. The largest absolute decrease in investment —$666 million— was for refinery and chemical plants. These expenditures, at $1.9 billion, represented only 12 percent of the total, versus 15 percent a year earlier.

Rest of World Capital Expenditures

	1984	1983	Change	
	Million $		Million $	Percent
Exploration and Production	10,060	10,519	− 459	− 4.4
Transportation	266	257	+ 9	+ 3.5
Refineries and Chemical Plants	1,903	2,569	− 666	−25.9
Marketing	1,586	1,502	+ 84	+ 5.6
Other	1,614	1,972	− 358	−18.2
Total	15,429	16,819	−1,390	− 8.3

Dividends and Other Uses

The Group distributed $9.7 billion in dividends to shareholders in 1984, slightly above the $9.3 billion used for that purpose the year before. The funds used for the repayment of debt rose by $2.2 billion to $8.3 billion. As a consequence of certain companies acquiring greater amounts of their own shares than usual, the retirement of stocks consumed a sizeable $5.6 billion, up substantially from $1.2 billion the previous year. A huge gain was recorded in investments and advances related to associated companies, to $16 billion in 1984 from $2.7 billion in 1983. However, the large increase principally reflected the interim recording as an investment of the acquisition of another company until final approval for the takeover was received from government authorities. Altogether the funds used by the Group in 1984 increased dramatically by $20.9 billion to a level of $83.4 billion. Since the various sources of funds provided only $71.1 billion, the balance was derived from a $12.3 billion drawdown of working capital.

Working Capital

The increase in working capital, which occurred over 1983 following two years of substantial declines, proved to be temporary. Working capital in 1984 plunged by $12.3 billion to $16 billion, a record-breaking 43 percent and reached the lowest level in more than a decade. Historically, the two categories that determine working capital (current assets minus current liabilities) have usually moved in the same direction, increasing or decreasing together from one year to the next. In 1984, however, as revealed in the following table, current liabilities rose significantly while the Group's current assets registered a sizeable reduction.

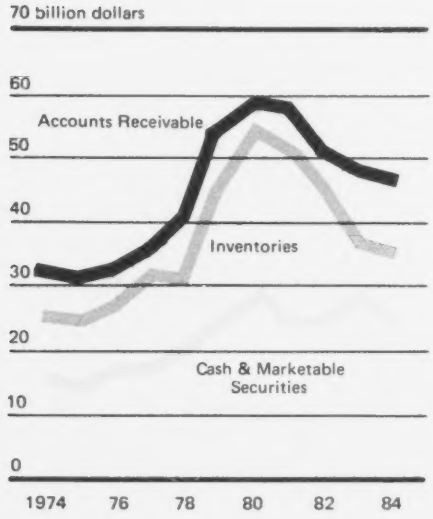
Working Capital

	12/31/84	12/31/83	Change	
	Million $		Million $	Percent
Current Assets	110,073	117,242	– 7,169	– 6.1
Current Liabilities	94,048	88,945	+ 5,103	+ 5.7
Working Capital	16,025	28,297	–12,272	–43.4
Current Ratio	1.17	1.32		

Reductions were recorded in all principal components of current assets. Cash, one of the smaller components, recorded the largest decline of $3 billion, to a level of $11.5 billion. Accounts and notes receivable, the largest segment, was reduced to $47 billion, a drop of more than $1.9 billion from the year before. Inventories also declined by about $1.9 billion to $34.7 billion, as the companies continued to maintain lower inventory levels of crude oil and refined products in the face of the prospects for lower oil prices. Marketable securities decreased to $12.5 billion, $1.3 billion less than at the end of 1983.

The increase in current liabilities occurred in notes and loans payable —$3.7 billion— and in taxes payable —$3.2 billion. These categories rose to $16.2 billion and $19.1

CURRENT ASSETS



DISTRIBUTION OF CURRENT ASSETS

billion, respectively. Accounts payable, the single largest current liabilities item, totaled $47.9 billion, declining by less than $1 billion.

The combination of lower current assets and higher current liabilities caused the Group's current ratio (ratio of current assets to current liabilities) to drop from the previous year's 1.32 to an all-time low of 1.17.

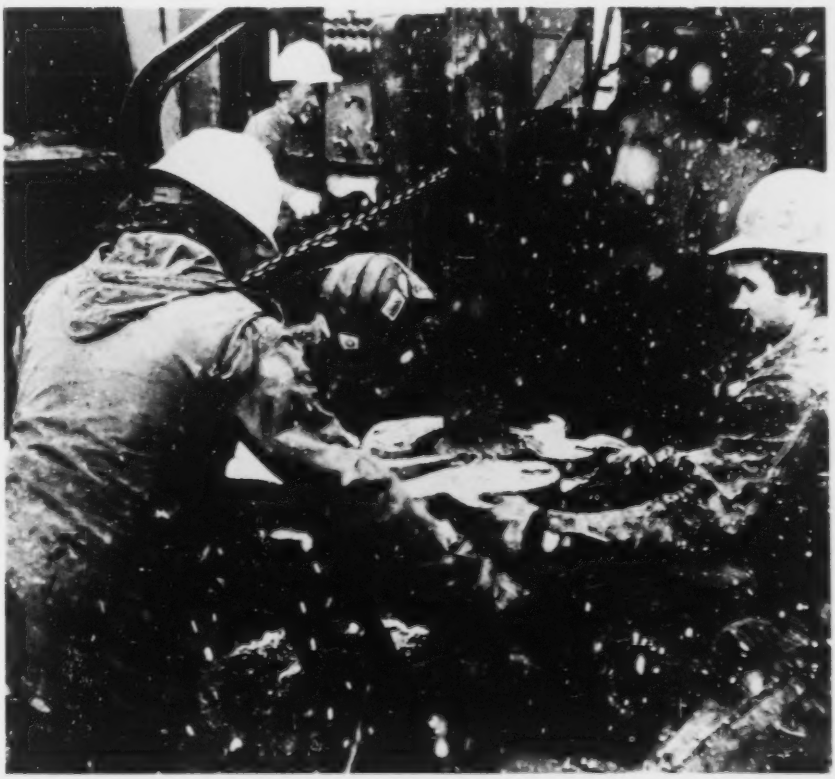
Capital Employed

The Group's total capital employed at the close of 1984 amounted to $227.6 billion, $13.5 billion higher than the prior year. A record $18 billion rise in long-term debt was entirely responsible. As previously mentioned, this gain was primarily due to the addition of debt by some companies for the purpose of financing the cost of acquiring other companies. As a consequence of this substantial expansion in long-term debt, to $61.4 billion at year end in 1984, the Group's percentage of debt to total capital employed surged to 27 percent by the end of 1984, compared to 20.3 percent the year before.

After consistent growth over the years, shareholders' equity declined by $1.6 billion to $156.8 billion as some companies expended funds to acquire additional treasury shares. Minority interests declined significantly to $9.4 billion, a reduction of $2.9 billion, because of a sizeable expansion in subsidiary ownership. The following table contains a comparison of the components for 1984 and 1983 and the resulting changes.

Capital Employed

	12/31/84	12/31/83	Change	
	Million $		Million $	Percent
Long-Term Debt	61,429	43,448	+17,981	+41.4
Minority Interests	9,363	12,268	− 2,905	−23.7
Shareholders' Equity	156,764	158,350	− 1,586	− 1.0
Total Capital Employed	227,556	214,066	+13,490	+ 6.3



22 Net Crude Oil Production
22 Refinery Crude Runs
23 Income Statement
23 Distribution of Total Revenue Dollar
24 Rates of Return
24 Source and Use of Working Capital
25 Expenditures for Fixed Assets
25 Capital and Exploration Expenditures
26 Balance Sheet
26 Earnings Reinvested and Employed
27 Taxes
27 Working Capital
28 Investment in Fixed Assets

Photographs used in this study were furnished through the courtesy of Exxon Corporation and Texaco Inc.

1 Net Crude Oil Production

	1984	1983	Change TBD	Change Percent
	Thousand Barrels Per Day			
United States	4,420	4,081	+ 339	+ 8.3
Canada	455	479	– 24	– 5.0
Venezuela	0	0	0	0
Other Western Hemisphere	240	231	+ 9	+ 3.9
Western Hemisphere	5,115	4,791	+ 324	+ 6.8
Europe	1,849	1,662	+ 187	+11.3
Africa	567	488	+ 79	+16.2
Middle East	446	430	+ 16	+ 3.7
Far East	630	897	– 267	–29.8
Eastern Hemisphere	3,492	3,477	+ 15	+ 0.4
Total (a)	8,607	8,268	+ 339	+ 4.1

Note: The above figures include 100% of operations of companies and consolidated subsidiaries.

(a) Figures expressed in million barrels are as follows:

	1984	1983
United States	1,618	1,490
Other Countries	1,532	1,528
Total	3,150	3,018

2 Refinery Crude Runs

	1984	1983	Change TBD	Change Percent
	Thousand Barrels Per Day			
United States	7,780	7,299	+ 481	+ 6.6
Canada	784	829	– 45	– 5.4
Venezuela	0	0	0	0
Other Western Hemisphere	1,018	1,136	– 118	–10.4
Western Hemisphere	9,582	9,264	+ 318	+ 3.4
Europe	4,824	4,400	+ 424	+ 9.6
Africa	113	68	+ 45	+66.2
Middle East	47	24	+ 23	+95.8
Far East	1,578	1,230	+ 348	+28.3
Eastern Hemisphere	6,562	5,722	+ 840	+14.7
Total (a)	16,144	14,986	+1,158	+ 7.7

Note: The above figures include 100% of operations of companies and consolidated subsidiaries.

(a) Figures expressed in million barrels are as follows:

	1984	1983
United States	2,848	2,664
Other Countries	3,061	2,806
Total	5,909	5,470

3 Income Statement

	1984	1983	Percent Change
	Million Dollars		
Gross Operating Revenue	465,131	459,246	+ 1.3
Non-Operating Revenue	9,079	8,438	+ 7.6
Total Revenue	474,210	467,684	+ 1.4
Operating Costs and Expenses	359,579	361,216	-- 0.5
Taxes Other than Income Taxes (a)	30,270	29,066	+ 4.1
Write-offs	29,540	26,277	+ 12.4
Interest Expense	6,940	5,469	+ 26.9
Other Charges	42	43	— 2.3
Total Deductions	426,371	422,071	+ 1.0
Net Income before Income Taxes	47,839	45,613	+ 4.9
Estimated Income Taxes	27,096	24,063	+ 12.6
Income Applicable to Minority Interests	1,295	1,512	— 14.4
Net Income (b)	19,448	20,038	— 2.9

(a) Excludes $42,483 million in 1984 and $42,699 million in 1983 representing sales and excise taxes in gasoline and other refined products, which are collected from customers and accounted for to United States federal, state and city authorities, and to other governments. Such taxes are deducted before arriving at gross operating revenue.

(b) Includes earnings from operations outside U.S.: 1984 — $11,452 million and 1983 — $10,465 million.

4 Distribution of Total Revenue Dollar

	1984	1983
	Cents	
Operating Costs and Expenses	75.8	77.2
Write-offs	6.2	5.6
Interest	1.5	1.2
All Taxes	12.1	11.4
Income Applicable to Minority Interests	0.3	0.3
Dividends to Stockholders	2.1	2.0
Reinvested in Business	2.0	2.3
Total Revenue	100.0	100.0

5 Rates of Return

	1984	1983
	Million Dollars	
Average Capital Employed (a)	220,811	211,504
Earnings (b)	27,683	27,019
Return	12.5	12.8
Average Shareholders' Equity (c)	157,557	155,902
Earnings (d)	19,448	20,038
Return	12.3	12.9
Average Total Assets	370,302	360,606
Earnings (e)	20,743	21,550
Return	5.6	6.0
Average Gross Fixed Assets	352,011	332,676
Gross Operating Profit (f)	75,282	68,964
Return	21.4	20.7

(a) Includes long-term debt, preferred stock, common stock, surplus and equity of minority interests.

(b) Represents net income plus interest charges and income applicable to minority interests.

(c) Includes preferred stock, common stock and surplus.

(d) Represents net income.

(e) Represents net income plus income applicable to minority interests.

(f) Represents gross operating revenue less operating costs and expenses and taxes — other than income taxes.

6 Source and Use of Working Capital Year 1984

	Million Dollars	Percent Distribution
Funds Available From:		
Cash Earnings (a)	53,549	75.3
Long-Term Debt Issued	22,168	31.2
Preferred and Common Stock Issued	179	0.2
Sales of Assets and Other Transactions	− 4,738	− 6.7
Total	71,158	100.0
Funds Used For:		
Capital Expenditures	43,182	60.7
Investments and Advances	16,030	22.5
Dividends to Companies' Shareholders	9,734	13.7
Dividends to Minority Interests	563	0.8
Long-Term Debt Repaid	8,280	11.6
Preferred and Common Stock Retired	5,641	7.9
Total	83,430	117.2
Change in Working Capital	−12,272	−17.2

(a) Represents:

	Million Dollars
Net Income	19,448
Write-offs	29,540
Other Non-Cash Charges (net)	4,561
Cash Earnings	53,549

7 Expenditures for Fixed Assets Year 1984

By Function –	United States	Other Countries	Combined
	Million Dollars		
Exploration and Production:			
Crude Oil and Natural Gas (a)	20,582	9,983	30,565
Natural Gas Liquids Plants	343	77	420
Total	20,925	10,060	30,985
Transportation:			
Pipe Lines	306	94	400
Marine	118	165	283
Other	103	7	110
Total	527	266	793
Refineries and Chemical Plants	3,116	1,903	5,019
Marketing	1,527	1,586	3,113
Others	1,658	1,614	3,272
Total	27,753	15,429	43,182

(a) Excludes exploration expenses and lease rentals charged to income account.

By Area –	1984	1983
	Million Dollars	
United States	27,753	25,806
Canada	2,138	2,234
Venezuela	0	0
Other Western Hemisphere	943	1,020
Western Hemisphere	30,834	29,060
Europe	7,312	7,682
Africa	1,285	1,547
Middle East	658	650
Far East	3,093	3,686
Eastern Hemisphere	12,348	13,565
Total	43,182	42,625

8 Capital and Exploration Expenditures Year 1984

	United States	Other Countries	Combined
	Million Dollars		
Exploration and Production Expenditures*	18,159	8,412	26,571
Dry Holes	2,423	1,571	3,994
Total E&P Capitalized	20,582	9,983	30,565
Geological and Geophysical Expenses and Lease Rentals	2,428	1,000	3,428
Total Production and Exploration Cost	23,010	10,983	33,993
Other Capital Expenditures	7,171	5,446	12,617
Other Mining Expenses	296	198	494
Capital and Exploration Expenditures	30,477	16,627	47,104

*Excludes expenditures for Natural Gas Liquids Plants.

9 Balance Sheet

Assets	12/31/84	12/31/83	12/31/84	12/31/83
	Million Dollars		Percent Distribution	
Current Assets	110,073	117,242	28.9	32.6
Investments and Advances	33,952	19,098	8.9	5.3
Property, Plant and Equipment (a)	227,041	214,002	59.7	59.4
Other Assets	9,298	9,898	2.5	2.7
Total Assets	380,364	360,240	100.0	100.0
Liabilities and Net Worth				
Current Liabilities	94,048	88,945	24.7	24.7
Long-Term Debt	61,429	43,448	16.2	12.1
Deferred Credits	43,927	42,596	11.5	11.8
Other Reserves	14,833	14,633	3.9	4.1
Minority Interests	9,363	12,268	2.5	3.4
Shareholders' Equity:				
Preferred Stock	1,133	458	0.3	0.1
Common Stock	4,517	8,615	1.2	2.4
Capital Surplus	6,719	9,258	1.8	2.6
Earnings Reinvested in Business	147,373	142,801	38.7	39.6
Currency Translation Adjustment	−2,978	−2,782	−0.8	−0.8
Shareholders' Equity	156,764	158,350	41.2	43.9
Total Liabilities and Shareholders' Equity	380,364	360,240	100.0	100.0

(a) After deducting accumulated reserves of $136,306 million in 1984 and $126,672 million in 1983.

10 Earnings Reinvested and Employed

	Million Dollars
Balance at December 31, 1983	142,801
Add: Net Income	19,448
	162,249
Less: Cash Dividends	9,734
Stock Dividends	0
Other Charges	5,142
Balance at December 31, 1984	147,373

11 Taxes

	1984	1983	Change	
	Million Dollars		Million $	Percent
Income Taxes	27,096	24,063	+ 3,033	+ 12.6
Other Taxes	30,270	29,066	+ 1,204	+ 4.1
Total Taxes	57,366	53,129	+ 4,237	+ 8.0
Total Revenue	474,210	467,684		
Taxes as Percent of Total Revenue	12.1	11.4		

12 Working Capital

	12/31/84	12/31/83	Change	12/31/84	12/31/83
	Million Dollars			Percent Distribution	
Cash	11,518	14,542	– 3,024	10.5	12.4
Marketable Securities	12,531	13,800	– 1,269	11.4	11.8
Accounts and Notes Receivable (net)	47,039	49,011	– 1,972	42.7	41.8
Inventories:					
Crude Oil, Refined Products and Other Merchandise	29,403	30,999	– 1,596	26.7	26.4
Materials and Supplies	5,282	5,628	– 346	4.8	4.8
All Other	4,300	3,262	+ 1,038	3.9	2.8
Total Current Assets	110,073	117,242	– 7,169	100.0	100.0
Accounts Payable	47,861	48,708	– 847	50.9	54.8
Notes and Loans Payable	16,209	12,503	+ 3,706	17.2	14.0
Income and Other Taxes	19,064	15,851	+ 3,213	20.3	17.8
All Other	10,914	11,883	– 969	11.6	13.4
Total Current Liabilities	94,048	88,945	+ 5,103	100.0	100.0
Working Capital	16,025	28,297	–12,272	–	–
Ratio of C.A. to C.L.	1.17	1.32	–	–	–

13 Investment in Fixed Assets December 31, 1984

By Function –	Gross			Net		
	United States	Other Countries	Combined	United States	Other Countries	Combined
	Million Dollars			Million Dollars		
Production:						
Crude Oil and Natural Gas	143,981	59,083	203,064	88,832	38,792	127,624
Natural Gas Liquids Plants	3,279	770	4,049	2,003	409	2,412
Total	147,260	59,853	207,113	90,835	39,201	130,036
Transportation:						
Pipe Lines	13,759	917	14,676	8,549	622	9,171
Marine	3,304	6,700	10,004	2,272	3,631	5,903
Other	990	100	1,090	565	56	621
Total	18,053	7,717	25,770	11,386	4,309	15,695
Refineries and Chemical Plants	46,506	26,940	73,446	28,082	14,891	42,973
Marketing	12,301	15,998	28,299	7,936	8,809	16,745
Others	18,014	10,705	28,719	13,323	8,269	21,592
Total	242,134	121,213	363,347	151,562	75,479	227,041

By Area –	12/31/84		12/31/83	
	Gross	Net	Gross	Net
	Million Dollars		Million Dollars	
United States	242,134	151,562	218,785	137,280
Canada	18,638	12,802	17,657	12,112
Venezuela	5	–37	11	–31
Other Western Hemisphere	8,890	4,895	8,750	4,908
Western Hemisphere	269,667	169,222	245,203	154,269
Europe	62,783	38,400	67,484	41,489
Africa	8,414	4,822	7,647	4,500
Middle East	2,978	1,981	2,140	1,299
Far East	19,505	12,616	18,200	12,445
Eastern Hemisphere	93,680	57,819	95,471	59,733
Total	363,347	227,041	340,674	214,002

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